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Report on the activities of the Office of Internal Oversight Services

Activities of the Office of Internal Oversight Services for the period from 1 July 2009 to 30 June 2010**

Report of the Office of Internal Oversight Services

Summary

The present report is submitted in conformity with General Assembly resolutions 48/218 B (para. 5 (e)), 54/244 (paras. 4 and 5), 59/272 (paras. 1-3) and 64/263 (para. 1). It does not cover oversight activities pertaining to Department of Peacekeeping Operations, the Department of Field Support or the peacekeeping and special political missions, as they will be presented to the Assembly in part II of the report during the resumed sixty-fifth session.

Assignments conducted during the reporting period underscore the need for the Organization to develop an accountability framework, including a formal internal control framework, to ensure that risks are managed consistently and systematically through focused control processes across the Organization.

During the reporting period, 1 July 2009 to 30 June 2010, the Office of Internal Oversight Services (OIOS) issued 382 oversight reports, including 12 reports to the General Assembly and 89 closure reports. The reports included 1,992 recommendations to improve internal controls, accountability mechanisms and organizational efficiency and effectiveness. Of those recommendations, 669 were classified as critical to the Organization. The financial implications of OIOS recommendations issued during the period amount to approximately $5.3 million.

* A/65/150.
** Excluding oversight of peacekeeping activities, which will be reported on in document A/65/271 (Part II).

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The recommendations were aimed at cost savings, recoveries of overpayment, efficiency gains and other improvements. The financial implications of similar recommendations that were satisfactorily implemented during the period totalled approximately $19 million. The addendum to the present report (A/65/271 (Part I)/Add.1) provides a detailed analysis of the status of implementation of the recommendations, a breakdown of recommendations with financial implications and an analysis of selected recommendations of particular concern. Pursuant to paragraph 1 (c) of resolution 59/272, Member States have access to OIOS reports upon request. The full titles of all OIOS reports are available online (www.un.org/Depts/oios/pages/rep_and_pub.html).

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I. Introduction

1. The Office of Internal Oversight Services (OIOS) was established by the General Assembly, pursuant to its resolution 48/218 B, to enhance oversight in the Organization. The Office is operationally independent, as stipulated by the Assembly, and assists the Secretary-General in fulfilling his internal oversight responsibilities in respect of resources and staff of the Organization through internal audit, monitoring, inspection, evaluation and investigation.

2. The present report, which provides an overview of OIOS activities during the period from 1 July 2009 to 30 June 2010, comprises three main sections, covering: (a) initiatives aimed at improving OIOS operations and quality of work; (b) oversight findings by risk category; and (c) mandated reporting on oversight activities concerning the capital master plan, the United Nations Compensation Commission and the construction of additional facilities at the United Nations Office at Nairobi and the Economic Commission for Africa. An addendum to the present report (A/65/271 (Part I)/Add.1) provides a detailed analysis of the status of implementation of the recommendations, a breakdown of recommendations with financial implications and an analysis of selected recommendations of particular concern.

3. The report does not cover oversight findings pertaining to the Department of Peacekeeping Operations, the Department of Field Support or the peacekeeping and special political missions, which will be presented to the General Assembly in part II of the report during the resumed part of the sixty-fifth session.

II. Internal initiatives

A. Overall efforts to strengthen the functions of the Office of Internal Oversight Services

4. OIOS continually strives to ensure that its work is carried out with the highest standards of professionalism and efficiency in order to realize its vision of being a world-class oversight body, respected and trusted by stakeholders. This section highlights some of the key initiatives undertaken during the reporting period to realize this goal.

1. Aligning work priorities with organizational risks

5. OIOS was established to assist the Secretary-General in providing oversight of all operations under his authority. To guide the Office in identifying emerging issues, challenges and potential exposures of the Organization, OIOS utilizes a comprehensive risk assessment framework. Risk analysis enables the Office to prioritize the allocation of resources to oversight of programmatic and operational areas that have the greatest exposure to risks of fraud, waste, abuse, inefficiencies and mismanagement. The adoption of a risk-based approach meets the requirements of the International Standards for the Professional Practice of Internal Auditing.

6. On the basis of Based on risk assessment results and discussions with management, the Internal Audit Division identified a number of key areas for inclusion in its 2010 workplan that address critical programmes, processes and investments of the United Nations. These risk areas include capital projects, staff safety and security,

information and communications (including business continuity and disaster recovery, enterprise risk management, enterprise resource planning system and implementation of the International Public Sector Accounting Standards (IPSAS)), human resources reform, United Nations system coordination, humanitarian operations, peacekeeping/peacebuilding, environment and climate change. OIOS started to address the key risk area of enterprise resource planning by conducting two audits for which it is currently awaiting management's comments: the audit of the enterprise resource planning project at the United Nations Secretariat and the audit of human resources management in the office of the enterprise resource planning project director.

7. In addition, the Internal Audit Division developed a toolkit for auditing strategic and governance risks in response to the recurrence of issues in these high-risk areas. The toolkit provides auditors with a set of criteria, based on best practice, to be used for audits in these areas.

8. The Inspection and Evaluation Division employs a risk assessment methodology based on the analysis of Secretariat-wide data on 12 proxy risk indicators. This assessment forms the basis for planning the Division's evaluation work covering all 27 programmes of the United Nations regular budget over a cycle of 11 to 13 years. At the suggestion of the Independent Audit Advisory Committee, the Division has explored the feasibility of using its risk assessment methodology at the subprogramme level of the Secretariat in order to identify subprogrammes at risk and prioritize them in the Division's workplan for an earlier evaluation. However, owing to a lack of data for the 12 proxy risk indicators at the subprogramme level, the Division concluded that it was not feasible to apply its current risk assessment methodology at that level.

9. On the basis of the experience from the first years of implementation of the risk assessment methodology, the Internal Audit Division and the Inspection and Evaluation Division continue to work on modifying their respective assessment methodologies to respond to changes in the work environment.

2. Ensuring the highest quality

10. OIOS is continuously working on improving its processes and procedures to meet the highest standards of quality, with the ultimate objective of serving the Organization by contributing to good governance and accountability.

11. As part of its continued effort to improve processes and services and to comply with the International Standards for the Professional Practice of Internal Auditing, the Internal Audit Division plans to complete an external quality assurance review of its processes by the end of 2010. In preparation for that review, the Division conducted a client survey and is currently conducting internal assessments of its processes, work products and supporting documentation. The client survey, with a response rate of 89 per cent, revealed that audited departments and offices gave an average rating of 3.1 (where 1 is poor and 4 is excellent) for the quality of the work performed by the Division.

12. In addition, following a recommendation by the Independent Audit Advisory Committee, the Internal Audit Division established a number of performance metrics to ensure that it delivers on its mandate, strategy and goals, and to measure the impact of its activities on the Organization. These new metrics supplement those that the Internal Audit Division tracks through its strategic framework.

13. In 2009, the Inspection and Evaluation Division conducted an assessment of the quality of its reports completed during the biennium 2008-2009, through both a stakeholder survey and an independent review conducted by an external consultant. The findings revealed that 75 per cent of the Division's evaluation reports and 43 per cent of its inspection reports were of "good" quality. None of the reports examined were rated below "fair" quality. One of the main findings of the assessment was that the recommendations and findings were the strongest sections of the Division's reports, while the methodology, annexes and conclusions could be improved.

3. Cultivating a professional workforce

14. OIOS is continuously assessing the state of knowledge, skills and abilities of its staff against needs and standards, in order to determine the training and additional human resources necessary to fill the gaps in skill sets. Some initiatives during the reporting period are described below.

15. The Inspection and Evaluation Division staff participated in training workshops on interviewing skills and gender sensitivity, a seminar series covering various topics including impact evaluation, and lectures on evaluation design and programme logic models and theory. Some staff also attended evaluation training provided by the Evaluator's Institute, an organization dedicated to professional skills enhancement in the evaluation field.

16. In furtherance of the investigation learning programme, the Professional Practices Section of the Investigations Division developed its training-of-trainers course to build capacity for delivering the module on investigating sexual harassment complaints. The five-day course, in March 2010, trained 10 OIOS investigators on the use of the module in order to maximize the Investigations Division's capacity to offer more training sessions throughout the Organization. Overall, the Professional Practices Section has conducted 14 training sessions on sexual harassment investigations since 2009, for over 186 participants.

17. The Investigations Division has also introduced another module in its investigation learning programme, on investigating sexual exploitation and abuse. This module has been delivered in the United Nations Organization Mission in the Democratic Republic of the Congo and the United Nations Mission in Liberia; additional sessions are being planned.

18. To advance its capacity to conduct specialized investigations, the Investigations Division is in the process of establishing a unit to conduct forensic analysis of electronic data and computer hardware. The unit will gather and verify technical information that may provide confirmation or evidence for investigations carried out by the Investigations Division. The Chief Forensic Investigator has already been recruited at Headquarters. The selection process for the three regional centres (New York, Vienna and Nairobi) is under way.

B. Cooperation and coordination

1. Coordination with other United Nations and oversight entities

19. OIOS coordinates regularly with other United Nations oversight entities, including the Board of Auditors and the Joint Inspection Unit, to ensure that potential duplication and overlap in the conduct of oversight work are avoided and

to minimize any gaps in oversight coverage. Aside from sharing workplans, the Office holds bimonthly meetings with the Board of Auditors to discuss issues of mutual interest and meets with the Joint Inspection Unit on an ad hoc basis when issues of particular concern arise. The senior representatives of those entities take part in an annual tripartite meeting to discuss oversight coordination, among other things.

20. The Internal Audit Division contributes actively to the work and meetings of the Representatives of Internal Audit Services of United Nations organizations (RIAS). In particular, the Division participated in a coordinated audit of the Common Humanitarian Fund for the Sudan with the internal audit services of the United Nations entities that received grants from the Fund. The Division also shared its toolkit for auditing strategic management and governance risks[1] with members of RIAS.

21. The Inspection and Evaluation Division continues to play an important role in the further professionalization and strengthening of the evaluation function in the United Nations system through its active participation in the United Nations Evaluation Group. During the reporting period, staff from the Inspection and Evaluation Division co-chaired two task forces — one on quality standards and the other on evaluation of the evaluation function — and participated in task forces on gender and human rights, impact evaluation, training and professional practice exchange seminars.

22. The Investigations Division hosted a conference on the risks and challenges faced by investigators following the earthquake in Haiti. The conference, which involved over 30 participants representing seven international organizations of the United Nations system and Bretton Woods institutions, was a forum for an exchange of views, lessons learned and experience from other emergency/reconstruction efforts in the past. The aim was to enhance the ability to anticipate, coordinate and act quickly in order to minimize the impact of any fraud and corruption on relief efforts.

23. In addition, in June 2010, OIOS hosted the eleventh Conference of International Investigators — a global forum for international organizations and multilateral institutions to engage in reform promoting accountability and transparency. The Conference featured a number of workshops examining developments in international investigative best practices and recent developments in the jurisprudence of administrative investigations.

2. Building oversight capacity across the United Nations system

24. In its effort to enhance advocacy of risk management in the Organization, OIOS remains ready to assist the Secretariat in the adoption of an internal control and risk management framework.

25. The Internal Audit Division partners on a regular basis with United Nations departments and offices to achieve better audit results and provide a valuable contribution to the goals of the United Nations. In 2010, the Division will enhance this contribution by further aligning its priorities with those of the United Nations and through increased consultations with audit clients at all stages of the audit process.

26. Moreover, the Investigations Division continues to collaborate with and provide expert support to various counterparts within the Organization, through:

[1] See section II.A.1 above.

(a) Close interaction with representatives involved in the internal administration of justice system (including the Administrative Law Section of the Office of Human Resources Management, the Office of Legal Affairs, the Office of the Administration of Justice and the Office of Staff Legal Assistance) regarding the interpretation and application of the United Nations Dispute Tribunal's rules of procedure and judgements with a view to reviewing OIOS procedures and policies to ensure effective disciplinary processes.

(b) Support for the Administrative Law Section and Office of Legal Affairs following charges and related legal action as a result of OIOS investigations into misconduct, including recovery of financial losses incurred by the Organization, criminal referrals to national jurisdictions and civil litigation. The Division also collaborates with the Registry of the United Nations Dispute Tribunal for the provision of evidence and testimony during disciplinary hearings.

(c) Regular consultation with the Conduct and Discipline Unit of the Department of Field Support in order to strengthen collaboration among mission management, the Department of Peacekeeping Operations and Member State representatives. For example, to harmonize procedures and policies concerning investigations into alleged misconduct by members of military contingents, thereby ensuring effective justice for all parties, the Investigations Division participated in the development of standard operating procedures for the implementation of amendments to the model memorandum of understanding between the United Nations and troop-contributing countries.[2]

27. During the reporting period, the Investigations Division also adapted its methodology and reporting for possible vendor misconduct in order to provide the Procurement Division of the Secretariat with necessary support in debarment proceedings. The new approach takes into consideration legal risks associated with any decision affecting commercial relations and builds on experience with post-investigation arbitration and litigation support. The development of the Procurement Division's processes for sanctioning vendors and related due-diligence scrutiny of prospective commercial suppliers to the United Nations will therefore increasingly benefit from more precise information reported in a manner designed specifically to fit the needs of a robust vendor sanction process. The first investigations under this new approach, for example, deal with vendors also being investigated for impropriety in national jurisdictions, with which the Investigations Division is cooperating. The vendor investigation reports will provide information on the vendor's suitability for continued registration and possible evidence to be used in remedial claims for damages that may have occurred from prior purchases.

III. Oversight findings by risk category

28. This section highlights some selected findings contained in OIOS reports from the period under review.[3] These findings are classified in seven risk categories: strategy; governance; compliance; financial; operational; human resources; and information

[2] See A/61/19 (Part III).

[3] For a comprehensive list of OIOS reports issued during the period under review, refer to the addendum to the present report. Pursuant to General Assembly resolution 59/272, OIOS reports that are not submitted to the Assembly are, upon request, made available to any Member State.

resources. In the opinion of OIOS, these categories most accurately represent the various types of risk present in the Organization's work environment. The categories also form a central component of OIOS risk assessment methodologies. Some of the findings describe specific individual risks, while other risks are identified as pervasive in the system, that is, they are frequently observed in OIOS oversight assignments. Common to them all is the fact that, unless acted upon, they could have an adverse impact on the mandate, operations or reputation of the department/office in question or of the Organization as a whole. It should be noted that findings from the same oversight assignment may be found in several risk categories.

A. Strategy risk

Box 1
Strategy risk

OIOS defines strategy risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from:

- Inadequate strategic planning
- Adverse business decisions
- Improper implementation of decisions
- Lack of responsiveness to changes in the external environment
- Exposure to economic or other considerations that affect the Organization

29. In the audit of the Office for the Coordination of Humanitarian Affairs (OCHA) operations in Somalia (AN2009/590/2), OIOS found that the United Nations new humanitarian strategy in Somalia was not fully implemented. The United Nations country team has identified key factors for operational flexibility in Somalia to deploy staff in the presence of high security risks and the main principles with which to design United Nations agencies' operational strategy. However, at the time of the audit, only 16 staff members were actually in Somalia because of the prevailing security situation and the resultant staff deployment restrictions. The OCHA Office for Somalia accepted the recommendation of OIOS to complete the field presence strategy to increase the number of national staff in Somalia and establish a stronger international staff presence in the more stable regions of Puntland and Somaliland.

30. In the audit of the Peace Missions Support and Rapid Response Section of the Office of the United Nations High Commissioner for Human Rights (OHCHR) (AE2009/331/01), OIOS found that OHCHR had not set clear office-wide strategic goals and priorities in its humanitarian work. OHCHR had not adequately assessed what the work entailed in terms of capacity, structure and procedures. The absence of clear strategic goals and priorities affected the ability of OHCHR to plan and made it difficult for its field offices with cluster lead responsibilities to prioritize their work. OHCHR accepted the OIOS recommendation that it establish an office-wide strategy to strengthen arrangements for OHCHR humanitarian work.

31. An OIOS evaluation of OHCHR (A/64/203 and Corr.1) found that it had made important contributions to the promotion, protection and mainstreaming of human rights, but could achieve even greater results through a more strategic focus on its primary strengths and comparative advantage as a central reference point and advocate for human rights standards and mechanisms. Given its broad mandate and existing resources, OHCHR planning and operations were not sufficiently focused to mitigate the risk of spreading out its activities too thinly to achieve systematic, sustainable and coherent results. OIOS recommended that OHCHR be more strategic in identifying fundamental activities and establishing organizational priorities, including a more coherent approach to its rapidly expanding field operations. Accordingly, OHCHR has streamlined its strategic focus, as reflected in its current strategic management plan for 2010-2011, concentrating on fewer expected achievements and undertaking an office-wide organizational effectiveness programme. OHCHR is also taking steps to implement the other recommendations, including a review of its field strategy.

32. In an evaluation of the integrated global management initiative of the Department for General Assembly and Conference Management (A/64/166),[4] OIOS found that the anticipated benefits of the initiative aiming at system-wide consistency in the management of conference services had not yet materialized. The publication of a compendium of administrative policies, practices and procedures of conference services, while an important first step, did not result in any significant harmonization of business practices across the duty stations. Furthermore, after the compendium was published, the focus of the initiative shifted to global information technology projects and issues such as programming languages, software vendors and applications, and in-house versus external expertise. Crucial debate and decision-making on internal workflow management and functional reform may have been inadvertently displaced by focusing on information technology projects. OIOS recommended that the Department's leadership provide clear direction on the results expected from integrated global management for the department as a whole, as well as for each duty station.

B. Governance risk

Box 2
Governance risk

OIOS defines governance risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from:

- Failure to establish appropriate processes and structures to inform, direct, manage and monitor the activities of the Organization
- Insufficient leadership within senior management
- Absence of promotion of an ethical culture in the Organization

[4] See also para. 42 below.

33. In the audit of OCHA governance arrangements for the Common Humanitarian Fund for the Sudan (AN2010/590/05), OIOS found that the accountability of the Common Humanitarian Fund implementing agencies to the Humanitarian Coordinator was limited to the submission of project implementation reports. There was no requirement to use monitoring, evaluation and audit results in approving projects and allocating funds. To improve effectiveness and efficiency, OIOS recommended that the Humanitarian Coordinator for the Sudan use the monitoring, evaluation and audit results of the Common Humanitarian Fund projects in the allocation process. OCHA indicated that implementation of this recommendation might not be feasible with current resources and could slow the allocation process, since United Nations agencies' monitoring and evaluation cycles are not harmonized. Nevertheless, OCHA has agreed to conduct a feasibility review of this recommendation by the fourth quarter of 2010 for possible implementation in 2011.

34. In the same audit, OIOS found that governance arrangements for the Common Humanitarian Fund for the Sudan require clarity and formalization. In particular, the Fund's terms of reference needed to be updated and did not identify the complete management structure. Moreover, no separate terms of reference were developed for each of the functions of the Funds to ensure clarity, coherence and efficiency of management activities. OCHA, as programmatic manager for the Common Humanitarian Fund for the Sudan, accepted the OIOS recommendation to revise and clarify the terms of reference.

35. In the audit of procurement management in the Secretariat (A/64/369), OIOS found that not all the activities that had been deemed procurement reform, such as training and cleaning up the vendor database, should be considered real reform but rather normal operational activities. Distinguishing between real reform and regular management activities would allow the Secretary-General and the General Assembly to focus on relevant reform issues to improve planning, budgeting, monitoring and accountability for procurement. It would also allow the Procurement Division to rationalize its workload by limiting the Secretary-General's reports to the General Assembly to those dealing with real reform activities. OIOS did not make a recommendation to address this governance risk because the Department of Management was in the process of reporting on procurement governance, as requested by the General Assembly. The reports of the Secretary-General[5] did not address this particular issue. OIOS will continue to pursue the matter.

36. In the audit of governance aspects of security management in the Office of the United Nations High Commissioner for Refugees (UNHCR) (AR2009/160/02), OIOS found inefficiencies in UNHCR cooperation with the Department of Safety and Security on security issues and gaps in the understanding of their respective mandates. The mandate of the Department of Safety and Security does not include any provision for the safety and security of UNHCR beneficiaries (i.e., refugees and other persons of concern). This has resulted in different interpretations of field presence requirements and operational needs. The UNHCR mandate requires it to have an extended field presence, sometimes in remote areas, whereas the Department of Safety and Security has not always been willing to grant security clearance and to provide security coverage in such areas. OIOS recommended that UNHCR develop a dialogue with the Department of Safety and Security to formally clarify its mandate for the protection of refugees and other persons of concern and

[5] A/64/284/Add.1 and 2.

its expectations of the Department. UNHCR explained that no formal clarification was needed because it had a clear mandate to protect its beneficiaries. UNHCR subsequently informed OIOS that its Field Safety Section would communicate and consult with the Department of Safety and Security on the results of its work to address the recommendation.

37. In the audit of UNHCR arrangements for managing its participation in the Common Humanitarian Fund for the Sudan (AR2009/115/04), OIOS found that, while UNHCR had been coping with the inherent challenges posed by the Fund, the initiatives lacked direction, came at a high financial cost in relation to the income from the Fund and involved frequent changes in related staffing arrangements and organizational structure. As a result, UNHCR participation in the Common Humanitarian Fund was not managed in an effective, cost-efficient and consistent manner. UNHCR has implemented the recommendation of OIOS that it establish adequate organizational structure and staffing arrangements to address these issues and is in the process of taking action to ensure adequate staffing arrangements.

38. In the comprehensive audit of the United Nations Interregional Crime and Justice Research Institute (UNICRI) (AE2009/383/02),[6] OIOS found that governance arrangements were weak. For example, OIOS found that the mandated frequency of UNICRI Board of Trustees meetings, once every two years, was insufficient for the Board to adequately fulfil its functions. OIOS also found that the structure and reporting lines of UNICRI were not clear. These weaknesses allowed its Director to implement major initiatives without input and prior approval and guidance from the Board. Further, although there was no formal delegation of authority to the Director with respect to procurement and human resources functions, he undertook those activities. OIOS recommended that (a) the Secretary-General review the governance arrangements of UNICRI, including its status and position within the United Nations system, the structure and operations of the Board of Trustees and the administrative oversight of the Director; and (b) the Department of Management review and clarify the delegation of authority that should be given to the UNICRI Director, as well as the responsibility of the United Nations Secretariat for providing administrative services to UNICRI. The OIOS recommendations were accepted.

39. In the audit of the Peace Missions Support and Rapid Response Section of OHCHR (AE2009/331/01), OIOS found that the division of roles and responsibilities between that Section and other OHCHR sections was not clearly defined. For example, the amount of support that geographical sections of OHCHR can request from the Peace Missions Support and Rapid Response Section, its responsibility and authority as focal point and lead section for OHCHR peace mission support and humanitarian functions, and its involvement in policy work, which is the core function of another OHCHR section, need to be clarified. Lack of clarity of roles and responsibilities increased the risk of gaps or duplication, blurred accountability and could affect the ability of OHCHR to contribute effectively to policymaking in peacekeeping. OHCHR accepted the recommendation of OIOS that it review and clarify the division of roles and responsibilities between the Peace Missions Support and Rapid Response Section and other OHCHR sections.

40. In a thematic evaluation of United Nations Secretariat-business partnerships addressing climate change (IED-10-006), OIOS concluded that the United Nations

[6] See also para. 55 below.

faces some inherent risks of "bluewashing"[7] when partnering with private businesses and allowing them to act with relative autonomy under the auspices of a United Nations-endorsed collaboration. However, OIOS found that business partnerships can be successfully harnessed to further United Nations objectives in the area of climate change if the parties clearly recognize that the Organization's key role is to help to raise awareness and engage businesses in dialogue at the phase of defining problems and identifying options, whereas the business sector is responsible for carrying out specific initiatives to find solutions in the implementation phase. The Organization should therefore adhere to this model of partnership, while mitigating the inherent risks through careful vetting and planning, as well as recognizing the importance of clear designation of responsibilities, which may need to evolve through the partnership.

41. The same evaluation report found that, while the Secretariat offered some centralized legal, administrative, and outreach support to entities seeking to partner with businesses, it failed to establish clear guidance on business partnerships, which could undermine the credibility of the Organization. In order to increase the United Nations capacity to collaborate effectively with businesses, measures should be taken to ensure that staff members have a clear understanding of the legal rules pertaining to the use of the United Nations name and emblem and the receipt of pro bono contributions. Moreover, the respective roles and strengths of the Global Compact Office and the United Nations Office for Partnerships, two Secretariat offices promoting private sector partnerships, should be clarified. While OIOS noted some progress on rules and coordination with the revision to the United Nations business guidelines, further improvement is needed to effectively support the formation of business partnerships.

42. The evaluation of the integrated global management initiative of the Department for General Assembly and Conference Management (A/64/166)[8] found that, while the Under-Secretary-General for General Assembly and Conference Management had budgetary and management responsibility for a combined programme budget that included the United Nations Headquarters in New York and the United Nations Offices at Geneva, Nairobi and Vienna, the Under-Secretary-General was not enabled to exercise direct managerial and supervisory authority over conference management services at the duty stations outside New York. This situation, separating accountability from authority, creates tensions and challenges the application of integrated global management in the Department. OIOS recommended that clear and effective lines of authority and reporting be established in order to bring about truly integrated global management of the United Nations conference management functions, and that the Department prepare a proposal for consideration by the General Assembly. OIOS notes that while the situation remains unchanged, the Department has requested a revision of the relevant Secretary-General's bulletin to reflect a more direct hierarchical line of authority and accountability leading to the Under-Secretary-General.

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[7] As noted in the thematic evaluation, "In the worst cases, partnership could provide a platform for companies to show action on climate change to their investors, civil society and the public, gaining the seal of approval of the United Nations at minimal cost and with no changes made — in short 'bluewashing'".

[8] See also para. 32 above.

43. An evaluation of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) (IED-09-008) found that while UNRWA continued to be relevant as an institution, its services had become thinly spread, posing risks to effectiveness and efficiency. Over the past 60 years, the Agency had navigated the challenges posed by a complex political context and finite resources to meet a growing range of needs that extended well beyond its original humanitarian mandate. OIOS recommended that UNRWA improve internal mechanisms to assess its performance, strengthen its oversight arrangements, enhance its knowledge management and ensure that emergency preparedness plans are incorporated into the planning process. OIOS noted that while UNRWA had taken steps through the organizational development initiative, gaps in its implementation and uncertainty over its sustainability could jeopardize the final outcome of the reforms.

44. An inspection of programme-level monitoring and evaluation of the Department of Economic and Social Affairs (IED-09-004) found that the Department lacked an evaluation policy and a dedicated evaluation unit to help ensure that monitoring and evaluation activities were adequately resourced, supported and systematically practiced throughout the Department. The lack of appropriate monitoring and evaluation structures hampers good governance, accountability and effective decision-making. OIOS recommended that the Department strengthen its monitoring and evaluation capacity, inter alia, by widening the departmental monitoring and evaluation focal-point network. The Department is taking steps to implement the recommendations.

45. The same inspection of programme-level monitoring and evaluation of the Department of Economic and Social Affairs (IED-09-004) found that the Department lacked an integrated approach to mainstreaming gender dimensions in monitoring and evaluation processes. OIOS recommended that the Department deploy an integrated approach to developing and incorporating gender dimensions throughout its results framework, ensuring that gender perspectives are consistently considered and reviewed as part of the monitoring and evaluation process.

46. An inspection of programme-level monitoring and evaluation of the Economic Commission for Africa (ECA) (IED-09-005) found that the role of the Monitoring and Evaluation Section in performing a central evaluation function for all of ECA was not clearly defined and needed strengthening in order to promote learning and accountability. This failure to establish clear guidance regarding the evaluation function of the Organization endangers good governance, accountability and learning. OIOS recommended that the role and operational independence of the Monitoring and Evaluation Section be further strengthened. The Department is taking steps to implement the recommendations.

47. An inspection of programme-level monitoring and evaluation of the United Nations Office on Drugs and Crime (UNODC) (IED-09-006) found that the restructuring of the evaluation function of UNODC presented potential governance risks to the Organization. In particular, OIOS found that the merger of the Independent Evaluation Unit with the Strategic Planning Unit reduced the independence of the evaluation function and its ability to provide thorough assessments of whether UNODC activities fulfilled goals and objectives. Following the recommendations of OIOS, the Independent Evaluation Unit was re-established with an independent reporting line to the Executive Director.

48. At the United Nations Office at Geneva, the OIOS investigation into alleged procurement misconduct, involving a former travel agent who operated without a contract for several years, was found unsubstantiated. Rather, it was found that procurement breaches were due to implicated staff members' unawareness of procurement procedures. OIOS gave the United Nations Office at Geneva constructive advice to prevent a recurrence of the situation (ID case 0175/09).

C. Compliance risk

Box 3
Compliance risk

OIOS defines compliance risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from violations of or the failure or inability to comply with laws, rules, regulations, prescribed practices, policies, procedures or ethical standards.

49. In the audit of the United Nations Joint Staff Pension Fund (UNJSPF) financial reporting process (AS2009/800/02), OIOS found that the Fund had not complied with United Nations financial regulation 6.5, which requires that the accounts for a financial period be prepared no later than 31 March of the following year. OIOS found that financial statements for 2008 and 2009 were finalized beyond the established due date and that there was no evidence supporting the approval of this deviation from the regulation. OIOS recommended that the Fund develop an action plan to ensure that its financial statements are prepared in accordance with the time frame set out in the regulations or secure approval for the deviation from the United Nations Controller. UNJSPF did not accept this recommendation, stating that additional time was needed beyond the 31 March deadline, as the Fund depended on the master record keeper for the accurate reporting of its investments and on member organizations for the reporting of annual pension contributions.

50. In the same audit, OIOS noted that UNJSPF did not have an approved implementation plan for adopting international accounting standards. The transition to a new set of accounting standards is a long and complex process that requires a defined action plan outlining key milestones and processes, potential major impediments and resource requirements. UNJSPF accepted the recommendation of OIOS that it prepare such a plan.

51. At the United Nations Office at Nairobi, OIOS investigated alleged misrepresentations made by four security officers when applying for employment with the Organization. OIOS found that the security officers had either made false claims or had failed to disclose required information in their personal history profiles and, as a result, had been offered appointments. The findings have been reported to the Department of Safety and Security; the outcome of the internal disciplinary process is pending (ID cases 0531/07, 0045/09, 0046/09, 0047/09).

52. Also at the United Nations Office at Nairobi, OIOS investigated fraudulent alterations of United Nations-issued pay slips. OIOS found that the alterations had

been made by some staff members with a view to misrepresenting their actual net monthly income so as to facilitate the obtaining of loans from financial institutions. The cases were reported to the United Nations Office at Nairobi, and the outcome of the internal disciplinary process is pending. OIOS also provided constructive advice to mitigate associated fraud risks (ID cases 0458/08, 0029/09, 0036/09, 0037/09, 0044/09, 0194/09).

53. OIOS investigated a claim that a United Nations Political Office for Somalia staff member and his spouse unlawfully took custody of an infant child without the consent of the child's custodial mother. While this claim was found to be unsubstantiated, OIOS found that the staff member submitted false information to two Member States in support of visa applications. OIOS reported its findings to the Department of Political Affairs; the outcome of the internal disciplinary process is pending (ID case 0217/09).

D. Financial risk

Box 4
Financial risk

OIOS defines financial risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from:

- Failure to obtain sufficient funding
- Inappropriate use of funds
- Inadequate management of financial performance below expectations
- Inappropriate reporting and disclosure of financial performance

54. In the audit of conference services put at the disposal of the Human Rights Council in 2009 (A/64/511), OIOS found that insufficient resources were put at the disposal of the Division of Conference Management of the United Nations Office at Geneva to provide conference services to the Human Rights Council, which could hamper its ability to meet the requirements of the Council. The audit showed that the processes for estimating financial resources to provide conference services did not ensure the accuracy of budgetary projections. OIOS recommended that OHCHR improve processes for estimating the budgetary implications of the Council's decisions. OHCHR informed OIOS that it and the Division of Conference Management, along with the United Nations Office at Geneva Financial Resources Management Service, had evaluated the procedures for the preparation and review of statements of budgetary implications and confirmed four separate stages of the process that should ensure the accuracy of budgetary estimations.

55. In the comprehensive audit of UNICRI (AE2009/383/02),[9] OIOS found that €1.5 million in voluntary contributions received from a Member State had been used

[9] See also para. 38 above.

to finance the biennial international event of a non-governmental organization that was outside the UNICRI mandate. Further, there was inadequate oversight of the use of the funds granted to the non-governmental organization for that event. OIOS did not find that UNICRI had derived any tangible benefit in terms of accomplishing its mandate by accepting the voluntary contribution. However, this situation exposed UNICRI to high financial and reputation risks. OIOS recommended that: (a) the Department of Management determine whether United Nations regulations and rules had been violated by officials of UNICRI in the management of this project; and (b) UNICRI management prepare a project manual outlining the process for project management.

E. Operational risk

Box 5
Operational risk

OIOS defines operational risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from

- Inadequate, inefficient or failed internal processes
- Failure to carry out operations economically, efficiently or effectively

56. In the audit of investment performance monitoring and evaluation (AS2009/801/01) in UNJSPF, OIOS found that attribution reports existed for equities, but not for fixed income in the economic sector. Fixed-income performance measurement and attribution is viewed mainly in terms of currency effect and asset-class effect, which makes it difficult to gain insight into the different aspects and dimensions of investment decisions and how they have contributed to the final performance. OIOS recommended the development of a suite of fixed-income performance and attribution reports that stratify the fixed-income book on a more granular basis. The Investment Management Division of the Fund agreed with the observation and noted that the current performance evaluation tool was limited to equities, as it had been implemented on an expedited basis. The new UNJSPF risk metrics application will provide performance and attribution reports for all asset classes, with fixed-income reporting implemented by the end of 2010.

57. An evaluation of the United Nations Office at Nairobi (IED-10-003) found that it played a critical role as a United Nations service provider in Kenya, but had not yet reached the highest level of customer service. While the United Nations Office at Nairobi delivered all mandated administrative and support functions and had introduced several innovative practices in doing so, overall service delivery was not consistently high. Also, the Office faced governance, organizational and resource challenges in undertaking its work, resulting in low levels of client satisfaction and less than satisfactory client relationships. To address these issues, OIOS recommended that the United Nations Office at Nairobi strengthen its client relations, improve client satisfaction through regular client consultation

mechanisms, develop an action plan for its representation and liaison roles and reach a common agreement on the memorandum of understanding on the Gigiri premises. As the report was issued only recently, no steps have been reported by the United Nations Office at Nairobi yet.

58. An evaluation of the Office of Central Support Services (IED-10-004) found that it was generally meeting client needs in providing facilities and commercial services to United Nations Headquarters. However, cooperation in providing such services, such as building maintenance and travel services, as well as cooperation procurement, was not systematic because of several operational challenges and organizational constraints, such as differing rules and regulations. Furthermore, OIOS found that there were opportunities for exploring greater price efficiencies in procurement. OIOS recommended that the Office of Central Support Services put in place a system to collect and analyse client feedback, develop a formal strategy for cooperation in facilities management, as well as for procurement, and conduct a robust and comprehensive analysis of its procurement price efficiency. The Office of Central Support Services commented that surveys of internal and external client satisfaction were being conducted on a continuous basis in its different areas of activity and work was under way to consolidate the information. A dashboard approach has been developed in the area of travel and transportation, and client satisfaction surveys are being collected automatically by the customer relationship management system established in facilities management in March 2010.

F. Human resources risk

Box 6
Human resources risk

OIOS defines human resources risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from the failure to develop and implement appropriate human resources policies, procedures and practices.

59. In the horizontal audit[10] of the UNHCR recruitment process for national staff (AR2009/162/02), OIOS found that the UNHCR Division of Human Resources Management at headquarters did not have the tools and mechanisms to adequately supervise the execution of the authority to recruit national staff delegated to field offices. These shortcomings increase the risk of inappropriate decisions, non-compliance with rules and regulations and weak accountability. UNHCR accepted the recommendation of OIOS that it consider introducing additional supervisory controls, taking into account the costs and benefits of such controls and the organization's risk tolerance regarding the recruitment of national staff delegated to the field.

60. In an inspection on human resources and management practices in the Department of Economic and Social Affairs (IED-09-007), OIOS found that the

[10] Horizontal audits address a particular risk category or focus/subfocus area across the Secretariat or a subset of offices.

Department was not fully effective in managing its human resources. While the Department was partially meeting its goals for vacancy management, gender equality and geographic distribution, it lagged in meeting targets for performance appraisal, employment of retirees, staff development and staff-management relations. This was due to the absence of an integrated strategy for human resource management that took into account programme planning and staff development. In addition to the Department's not meeting all of its performance targets for human resources management, OIOS found that there was a negative perception among its staff regarding the staff selection process and management accountability. OIOS recommended that the Department undertake a human resources planning exercise, develop a strategy to strengthen accountability, conduct annual staff surveys and regularly share information on staff vacancies. The Department has already taken steps to implement these recommendations.

G. Information risk

Box 7
Information risk

OIOS defines information risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from the failure to establish and maintain appropriate information and communications technology systems and infrastructure.

61. In the audit of procurement management in the Secretariat (A/64/369), OIOS found that the Procurement Division lacked an information and communications technology (ICT) infrastructure to support its operations and control environment. In particular, there were no clear terms of reference for information requirements and supporting technologies. Moreover, application controls did not fully ensure data integrity. OIOS also found that there were no procedures to systematically monitor, query and analyse procurement data in order to identify cases and risks of non-compliance with established procedures. The Procurement Division declined the recommendations of OIOS that it formalize its information and communications needs in an ICT strategic plan aligned with procurement operational strategy and that it develop control requirements on procurement data. The Procurement Division stated that a strategic plan was prepared for enterprise resource planning in line with the ICT strategic plan formulated by the Office of Information and Communications Technology. OIOS notes, however, that an ICT strategy should translate business strategy, business expectations and current and future ICT capabilities into an ICT strategic plan and that the plan for enterprise resource planning was not a strategy, but rather a solution to achieve a business objective. Subsequent to the issuance of the final report, the Department of Management indicated that it had implemented or was in the process of implementing the recommendations. OIOS has asked for documentation confirming this.

62. In the horizontal audit of data privacy in the United Nations Secretariat (AT2008/510/01), OIOS found that data privacy responsibilities were not assigned

to a dedicated unit or individual by the Secretary-General. Except for a partial subset of Internet websites directly managed by the Department of Public Information, the authority to approve the content of the many United Nations Secretariat entities' websites has not been formally clarified. It is important for responsibility to be assigned, because some websites capture and share sensitive information, potentially including private data, in the public domain. The Executive Office of the Secretary-General accepted the recommendation of OIOS that the Secretary-General assign to a new or existing Secretariat unit the responsibility for developing and managing a comprehensive data-privacy programme for the Secretariat.

63. In the audit of information and communications technology governance and security management in the United Nations Framework Convention on Climate Change (AT2008/241/01), OIOS found an inadequate ICT governance system. The Convention did not have a high-level committee on ICT that would address ICT strategy and governance issues and review major ICT initiatives and investments. As a result, the Convention was unable to adequately identify and address the potential risks arising from the use of ICT resources and to exploit the opportunities presented by new ICT capabilities. The Convention accepted the recommendation of OIOS that it formalize its ICT governance model by completing a due-diligence review and establishing an ICT strategic committee.

IV. Mandated reporting requirements

A. Capital master plan

64. In accordance with General Assembly resolution 62/87, OIOS is responsible for reporting on the activities of the Capital Master Plan Audit Section during the reporting period.

65. OIOS has two auditors in the Capital Master Plan Audit Section dedicated to auditing the capital master plan operations. The approach has been risk-based, which conforms to the audit approach adopted by the Internal Audit Division. The 2010 workplan for the internal audit of the capital master plan was based on the result of the risk assessment. Five audits were completed during the reporting period; some major findings are presented below.

66. The audit of the management of trade contracts by the Office of the Capital Master Plan (AC2008/514/07) indicated that the required ex post facto review of change orders exceeding $200,000 was not being carried out. The committee that was supposed to conduct this review had not been convened by the Office of Central Support Services. OIOS was concerned that the required level of scrutiny was not being carried out on material amounts of expenditure and recommended that the Office of Central Support Services establish the ex post facto review committee. OIOS was informed that in May 2010 an initial meeting of a Post-Award Review Committee for Capital Master Plan Change Orders had been held.

67. The audit of the capital master plan construction manager's procurement process (AC2009/514/02) indicated that the review and approval of guaranteed maximum price contracts was taking an average of 105 calendar days, which needed to be shortened to minimize the risk of costly delays. Timely approval of these contracts was not being achieved because a number of parties were involved in the

detailed checks. Also, the capital master plan procurement team was underresourced at the time of the audit. OIOS recommended that the Office of the Capital Master Plan set realistic targets for the review and approval of contracts and continually monitor their status.

68. The audit of the capital master plan's change orders and associated processes (AC2009/514/03) indicated that it had been a common practice of the Office of the Capital Master Plan to initiate work before the approval of a change order, which does not conform to the contractual terms with the construction manager or to the requirements of the United Nations Procurement Manual. In such cases, a judgement had been made by the Office of the Capital Master Plan to proceed with essential and urgent works prior to their approval to avoid the risk of costly delays. OIOS also observed that work authorizations, which effectively commit expenditures, had been approved by an officer who did not have authorizing authority. OIOS recommended that the Office of the Capital Master Plan ensure that change orders are approved before the commencement of the associated work and only by authorized persons, in accordance with the delegation of authority. The Office of the Capital Master Plan accepted this recommendation but noted the paramount importance of not interrupting or delaying the construction schedule, which could cost upwards of $14 million per month.

69. In the audit of information and communications technology systems supporting the capital master plan (AT2008/514/01), OIOS determined that the capital master plan did not adequately consider information security requirements and controls as part of the control environment established for managing its information systems. The capital master plan had not defined or documented its information security procedures for internal use, or for the third-party contractors that had direct access to United Nations ICT resources and information. This condition exposed the capital master plan to risks of breaches of confidentiality and loss or unavailability of data. The Office of the Capital Master Plan accepted the recommendation of OIOS that it document information security procedures, assign responsibilities for the management and enforcement of security procedures and ensure that all stakeholders are aware of the need to safeguard the capital master plan's information resources.

B. United Nations Compensation Commission

70. In accordance with General Assembly resolutions 59/270 and 59/271, OIOS presents here its audit activities relating to the United Nations Compensation Commission.

71. The Commission continues to disburse award payments and monitor environmental projects being undertaken by claimant Governments with funds awarded for environmental damages, and to explore the possible options for the future of the Follow-up Programme for Environmental Awards. As at 31 May 2010, the downsized operations of the Commission continued to be carried out by four staff members, including the Executive Head. The Follow-up Programme for Environmental Awards, which is funded by participating Governments, had five Professional staff, and two support staff were under recruitment.

72. The Commission had paid $29 billion up to 31 May 2010 out of the total $52 billion awarded, leaving a balance of approximately $23 billion in unpaid awards, comprising nine large awards in favour of Kuwait. Those awards will continue to be

paid out of the Compensation Fund, which receives 5 per cent of Iraqi oil export revenue, in accordance with Security Council resolution 1483 (2003). Payments of claims from July 2009 to May 2010 amounted to some $2.3 billion.

73. For 2009-2010, the Compensation Commission made available $100,000 for internal audit resources, which OIOS is using in the audits of the award payments to assess the Commission secretariat's compliance with Governing Council decisions and Governments' compliance with Governing Council reporting requirements on funds received and the Follow-up Programme for Environmental Awards. The results of the ongoing audit for the period from July 2009 to May 2010 (AE2010/820/01) confirm that the Commission had adequate control mechanisms to ensure that award and payment records as well as reports were accurate, properly documented and compliant with Governing Council decisions and the Financial Regulations and Rules of the United Nations. The Commission secretariat has also implemented the previous audit recommendation issued by OIOS requiring it to pursue efforts to obtain the outstanding audit certificates and distribution reports.

C. Construction of additional office facilities at the United Nations Office at Nairobi (AC2009/514/08)

74. Two of the posts in the project team in charge of the construction of additional office facilities at the United Nations Office at Nairobi were still vacant at the time of the audit (March 2009),[11] which could have delayed the project implementation. OIOS recommended that the United Nations Office at Nairobi project manager consult with the Director of Administration and the Chief of the Human Resources Services Section to ensure that staff are recruited in a timely manner. The Office of Central Support Services accepted the recommendation and stated that the full project management team had been recruited. The project started on 4 May 2009, at which time a project administrator had begun employment. A technical assistant was subsequently recruited to fill the second vacancy with effect from 3 August 2009.

75. OIOS also found that no formal stakeholder management plan had been prepared, creating a risk that communications with the stakeholders would be insufficient to address issues such as allocation of office space, infrastructure requirements, furnishings and schedules. OIOS recommended that the Chief of the Facilities Management and Transportation Section of the United Nations Office at Nairobi consult with the Director of Administration and other offices in Nairobi to prepare a stakeholder management plan to identify the project stakeholders, define an approach to communications and provide project information.

D. Construction of additional office facilities at the Economic Commission for Africa (AC2009/514/01)

76. OIOS found that deficiencies in the contract, drawings and bill of quantities, which are the prime instruments for reducing uncertainties for contractors, contributed to an initial unsuccessful attempt to attract suitable bids from construction contractors. The solicitation of new bids, plus an investigation by the Procurement Task Force, resulted in a delay of over a year. Costs were incurred for

[11] The report on this matter was issued in November 2009.

rebidding, and the delay meant that the project was subject to the vagaries of currency-exchange rates and variations in construction price indices. A contract with a successful bidder was subsequently signed in April 2010. Projects that are ill-defined from the outset are more likely to suffer from misunderstandings, disputes, claims, delays and cost overruns. The Office of Central Support Services accepted and implemented the OIOS recommendation that it ensure that proper documentation is in place before bids for future projects are solicited.

77. OIOS also found vacancies in the ECA project organization and identified a need for better management of and coordination with stakeholders. OIOS made recommendations for ECA similar to those made for the United Nations Office at Nairobi (see above). Those recommendations were also accepted.

Annex

Overview of mandated reporting requirements

The categories of information to be included in the annual reports of the Office of Internal Oversight Services (OIOS) are set out in the following documents:

(a) Secretary-General's bulletin ST/SGB/273 (para. 28):

(i) A description of significant problems, abuses and deficiencies and related OIOS recommendations;

(ii) Recommendations not approved by the Secretary-General;

(iii) Recommendations in previous reports on which corrective action has not been completed (see A/64/326 (Part I)/Add.1);

(iv) Decision from a previous period revised by management;

(v) Recommendations on which agreement could not be reached with management or with regard to which requested information or assistance was refused (see A/64/326 (Part I)/Add.1);

(vi) The value of cost savings recommended and amounts recovered (see A/64/326 (Part I)/Add.1);

(b) General Assembly resolution 56/246:

(i) Information regarding the implementation rate of the recommendations of the previous three reporting periods (see A/64/326 (Part I)/Add.1);

(ii) Information regarding the impact of the reorganization of OIOS on its work;

(iii) Reporting separately on those recommendations that have been implemented, those that are in the process of being implemented and those for which no implementation process is under way, and the reasons for their non-implementation (see A/64/326 (Part I)/Add.1);

(c) General Assembly resolutions 57/292 and 60/282: reporting on oversight activities conducted throughout the phases of the capital master plan project in the context of the annual reports of the OIOS;

(d) General Assembly resolutions 59/270 and 59/271: provision of internal oversight of the entire claims process of the United Nations Compensation Commission and reporting regularly thereon in the context of the annual reports of the Office;

(e) General Assembly resolution 59/272: the requirement that annual reports contain titles and brief summaries of all reports of the Office issued during the year (see A/64/326 (Part I)/Add.1);

(f) General Assembly resolution 62/87: the request that OIOS ensure effective audit coverage of the capital master plan and submit to the General Assembly all its reports related to its implementation.